

10

SECRET

SN027

PAYMENTS
(Cont'd)

	Ppt	50				
	Slow 50	80000	-0-	-0-		4-5 Mos
	Slow 60	1000	-0-	-0-		6-12 Mos
	(038)					
07/89	Ppt	30000	-0-	-0-	1 10 N30	6-12 Mos
	Ppt	30000	-0-	-0-	1 10 N30	4-5 Mos
	Ppt	1000	50	-0-	Regular terms	1 Mo
	Ppt	500	250	-0-	N30	1 Mo
	Ppt	250	-0-	-0-	N15	6-12 Mos
	Ppt	250	-0-	-0-	N30	6-12 Mos
	Ppt	250	250	-0-	N30	1 Mo
	Ppt	250	-0-	-0-	N30	6-12 Mos
	Ppt	100	-0-	-0-	N30	6-12 Mos
	Ppt	100	-0-	-0-	N30	2-3 Mos
	Ppt	100	-0-	-0-	N30	2-3 Mos
	Ppt	100	100	50		1 Mo
	Slow 30					2-3 Mos
	Slow 90	30000	-0-	-0-		6-12 Mos
	Slow 120	2500	1000	1000	N30	2-3 Mos
	Slow 10	100	-0-	-0-		
	Slow 120	250	250	250		
06/89	Ppt	20000	-0-	-0-	N30	
	Ppt	7500	7500			1 Mo
	Ppt	2500	-0-	-0-		2-3 Mos
	Ppt	1000	1000	-0-	2 10 N30	1 Mo
	Ppt	250	100	-0-	N30	1 Mo
	Ppt	100	50	-0-	N30	1 Mo
	Slow 10					2-3 Mos
05/89	Ppt	35000	-0-	-0-	N30	2-3 Mos
	Ppt	500	500	-0-	N30	2-3 Mos
04/89	Ppt	20000	-0-	-0-	N30	6-12 Mos
	Ppt	15000				
	Ppt	2500	-0-	-0-	N30	6-12 Mos
	Ppt	500	50	-0-		1 Mo
	Ppt	500	-0-	-0-		6-12 Mos
	Ppt	100	100	-0-		1 Mo
	Ppt	50	-0-	-0-		4-5 Mos
	Slow 10	100	-0-	-0-		6-12 Mos
01/89	Ppt	1000	-0-	-0-	N30	6-12 Mos
	Ppt	500	-0-	-0-	1 10 N30	6-12 Mos
	Ppt	250	-0-	-0-	N30	6-12 Mos
	Slow 30	200000	200000	50000	N30	6-12 Mos
12/88	Ppt	7500	-0-	-0-	N30	
	Ppt	1000			2 10 Prox	
	Ppt	250	250	-0-	N30	
	(000)		-0-	-0-		

Cash account

* Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

* Each experience shown represents a separate account reported by a supplier. Updated trade experiences replace those previously reported.

FINANCE

A CONSULTING SERVICE IS AVAILABLE TO ASSIST YOU IN REVIEWING THIS ACCOUNT FURTHER. PLEASE CALL (800) 223 - 0141 TO SPEAK WITH A DUNS ACCOUNT CONSULTANT.

08/07/89

	Fiscal Consolidated Dec 31 1986	Fiscal Consolidated Dec 31 1987	Fiscal Consolidated Dec 31 1988
Curr Assets	3,447,000,000	3,301,000,000	2,455,000,000
Curr Liabs	2,532,000,000	2,800,000,000	2,279,000,000
Current Ratio	1.36	1.18	1.08
Working Capital	915,000,000	501,000,000	176,000,000
Other Assets	8,949,000,000	9,279,000,000	6,161,000,000
Long Term Debt	2,093,000,000	1,938,000,000	1,491,000,000
Worth	5,287,000,000	5,229,000,000	3,325,000,000

(CONTINUED)

FINANCE

(Cont'd)	Sales	10,198,000,000	9,482,000,000	9,744,000,000
	Net Income	385,000,000	348,000,000	7,000,000
	Depreciation & Amor	617,000,000	686,000,000	663,000,000
	Interest Expense	322,000,000	315,000,000	296,000,000
	Capital			
	Expenditures	1,144,000,000	1,110,000,000	1,258,000,000
	Cash flow Opns	1,325,000,000	1,271,000,000	1,050,000,000
	Fiscal Consolidated statement dated DEC 31 1988:			
	(000s omitted)			(000s omitted)
	Cash	\$ 833,000	Accts Pay	\$ 831,000
	Accts Rec	830,000	Recourse Short	
	Inventory	777,000	Term Borrowings	147,000
	Short Term		Accruals	583,000
	Investments	15,000	Taxes	100,000
			L.T. Liab-(1yr)	535,000
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	Curr Assets	2,455,000	Curr Liabs	2,279,000
	Fixt & Equip	5,261,000	Long Term Debt	1,491,000
	Long Term Rec &		Minority Interest	264,000
	Investments	500,000	Def. Credits/Income	1,257,000
	Deferred Charges		COMMON STOCK	129,000
	& Other Assets	400,000	ADDIT. PD.-IN CAP	1,293,000
			FOREIGN CURRENCY	
			TRANSLATION	
			ADJUST	(12,000)
			RETAINED EARNINGS	2,928,000
			TREASURY STOCK	(1,013,000)

Total Assets 8,616,000 Total 8,616,000
From JAN 01 1988 to DEC 31 1988 sales \$9,744,000,000; cost of goods sold \$6,388,000,000. Gross profit \$3,356,000,000; operating expenses \$1,562,000,000. Prov write-down \$495,000,000. Operating income \$1,299,000,000; other income \$256,000,000; other expenses \$214,000,000; net income before taxes \$1,341,000,000; Federal income tax \$(50,000,000); other tax \$1,384,000,000. Net income \$7,000,000. Retained earnings at start \$4,666,000,000. Net income \$7,000,000; dividends \$287,000,000; other deductions \$1,458,000,000; retained earnings at end \$2,928,000,000.

Prepared from statement(s) by Accountant: Coopers & Lybrand.

ACCOUNTANTS OPINION: "A review of the accountant's opinion indicates the financial statements meet generally accepted accounting principles and that the audit contains no qualifications".

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Accounts receivable shown net less \$13,000 allowance. -----BALANCE SHEET ITEM EXPLANATIONS-----

INVENTORIES: Inventories of crude oil and refined products are valued at the lower of cost or market. The cost of domestic inventories is determined principally on the LIFO method. While the cost of foreign inventories is determined principally on the FIFO method.

The current replacement cost of all inventories valued at LIFO exceeded their carrying value by \$497 and \$487 million at Dec 31 1988 and 1987, respectively.

LONG TERM RECEIVABLES AND INVESTMENTS: Consist of investment in leveraged leases \$81 million, direct financing and sales-type leases \$273 million, accounts and notes receivable \$108 million, investments in and advances to affiliated companies \$26 million, and other investments, at cost \$12 million.

RECOURSE SHORT TERM BORROWINGS: Consists of real estate notes \$146 million and other \$1 million.

LONG TERM DEBT: Consists of nonrecourse financing \$255 million and recourse long term debt \$1,236 million.

Nonrecourse financing consists of real estate notes and mortgages due in varying amounts through 2009 \$278 million, leasing notes due in varying amounts through 1999 \$12 million and North Sea credit facility loan payable semiannually 1989-1991 \$71 million, total \$361 million, less current portion \$106 million, long term portion \$255 million.

Nonrecourse financing maturing in the years 1989 through 1993 is as follows: 1989 \$106 million, 1990 \$4 million, 1991 \$9 million, 1992 \$5 million, and 1993 \$7 million.

Recourse long term debt consists of sinking fund debentures \$407 million and (CONTINUED)

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FINANCE

Cont'd) notes and mortgages payable \$1,263 million, total \$1,670 million, less unamortized discount \$5 million, less current portion \$429 million, long term portion \$1,236 million.

The aggregate amount of recourse long-term debt maturing and sinking fund requirements in the years 1989 through 1993 is as follows: 1989 \$429 million, 1990 \$119 million, 1991 \$177 million, 1992 \$102 million and 1993 \$62 million.

DEFERRED CREDITS-INCOME: Consists of deferred income taxes \$990 million and other deferred credits and liabilities \$267 million.

-----INCOME STATEMENT ITEM EXPLANATIONS-----

PROVISION FOR WRITE-DOWN: During 1988, the Company adopted a plan to dispose of certain domestic and Canadian oil and gas assets and recorded a write-down of such assets to net realizable value.

OTHER INCOME: Consists of gain on divestments \$35 million, interest income \$112 million and other income \$109 million.

OTHER EXPENSE: Consists of interest expense, net \$214 million.

OTHER DEDUCTIONS FROM RETAINED EARNINGS: Consists of distribution of Sun Exploration and Production Company common stock.

COMMITMENTS AND CONTINGENCIES: Sun, as lessee, has noncancelable operating leases for service stations, office space and other property and equipment. Total rental expense for such leases for the years 1988, 1987 and 1986 amounted to \$96, \$98 and \$114 million, respectively. Approximately 10 percent of total rental expense is recovered through related rental income from subleases.

Under contracts existing as of Dec 31 1988, future minimum annual rentals applicable to noncancelable operating leases are as follows: 1989 \$33 million, 1990 \$24 million, 1991 \$19 million, 1992 \$15 million, 1993 \$13 million, and later years \$59 million.

The Company is contingently liable under various arrangements which guarantee debt of associated companies and others aggregating approximately \$62 million at Dec 31 1988 and maturing at various dates through 2013. Management considers that losses, if any, from these guarantees would not be significant.

Many legal and administrative proceedings are pending against the Company. Although the ultimate outcome of these proceedings cannot be ascertained at this time, and it is reasonably possible that some of them could be resolved unfavorably to the Company, management of the Company believes that any liabilities which may arise would not be material in relation to the consolidated financial position of the Company at Dec 31 1988.

RECONCILIATION OF TANGIBLE NET WORTH: Balance at Dec 31 1987 \$5,229 million, plus net income \$7 million, plus stock issued under management incentive plans \$4 million, plus foreign currency translation adjustment \$59 million, less distribution of Sun E & P Co common stock \$1,649 million, less cash dividends \$287 million, less redemption of preferred stock \$3 million, less purchases for treasury \$30 million and less other \$5 million, balance at Dec 31 1988 \$3,325 million.

RECONCILIATION OF NET WORKING CAPITAL: Net working capital declined in fiscal 1988 primarily because capital expenditures, dividends, acquisitions, and a decrease in long term debt exceeded funds provided by operations.

On AUG 07 1989 Management, referred to the above figures.

Management submitted the following interim figures dated MAR 31 1989:

Cash	\$ 565,000,000	Accts Pay	\$ 761,000,000
Accts Rec	728,000,000		
Mdse	837,000,000		
Prop, Plant & Equip	8,496,000,000		

Sales for three months ended Mar 31 1989 were \$2,607,000,000. Profits for three months ended Mar 31 1989 were \$81,000,000.

Management stated that revenues for the 3 months ended Mar 31 1989 were up \$253,000,000 compared to the same period last year. Profit for the period was up \$21,000,000.

The interim balance sheet dated Mar 31 1989 is summarized as follows: current assets \$2,145,000,000, total assets \$8,446,000,000, current liabilities \$2,027,000,000, nonrecourse financing \$262,000,000, recourse long term debt \$1,215,000,000, deferred credits \$1,319,000,000, minority interest \$261,000,000 and stockholders' equity \$3,362,000,000.

SELECTED OPERATING INFORMATION:	1987	1988.
Sales - % increase (decrease)	(7.0)	2.8.
Gross Profit Margin - % of sales	30.7	34.4.
Operating Expenses - % of sales	25.7	35.3.
Interest Expense - % increase (decrease)	(2.1)	(6.0).

(CONTINUED)

THIS REPORT, FURNISHED PURSUANT TO CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AS ONE FACTOR TO CONSIDER IN CONNECTION WITH CREDIT INSURANCE, MARKETING OR OTHER BUSINESS DECISIONS, CONTAINS INFORMATION COMPILED FROM SOURCES WHICH DUN & BRADSTREET, INC. DOES NOT CONTROL AND WHOSE INFORMATION, UNLESS OTHERWISE INDICATED IN THE REPORT, HAS NOT BEEN VERIFIED IN FURNISHING THIS REPORT. DUN & BRADSTREET, INC. IN NO WAY ASSUMES ANY PART OF THE USER'S BUSINESS RISK. DUN & BRADSTREET, INC. DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION PROVIDED. DUN & BRADSTREET, INC. IS NOT BE LIABLE FOR ANY LOSS OR INJURY, WHETHER RESULTING FROM CONTINGENCIES BEYOND ITS CONTROL OR FROM NEGLIGENCE.

FINANCE
(Cont'd)

Net Income - % of sales

3.6

.1.

RECENT TRENDS: In 1988, the Company's net income was \$7 million compared to net income of \$348 million in 1987. Included in 1988 earnings were provisions for write-downs of assets and other matters after tax of \$314 million compared with \$15 million in 1987. Excluding the 1988 and 1987 write-downs, the Company's net income was \$321 million in 1988, compared to \$363 million in 1987. In 1987, the Company's net income of \$348 million was \$37 million lower than in 1986.

Sales and other operating revenue increased 3 percent in 1988 primarily due to higher refined product sales volumes and higher consumer excise taxes. Partially offsetting these positive factors were lower average refined product prices. Lower domestic crude oil sales volumes and the divestments of the Company's industrial products distribution and motor freight transportation businesses in late 1986 were the principal factors contributing to a 7 percent decline in sales and other operating revenue in 1987. Higher 1987 average oil prices and higher consumer excise taxes partially offset this decline.

SELECTED FINANCIAL RATIOS:

	1987	1988.
Quick Ratio (times)	.96	.74.
Collection Period (days)	33	31.
Total Liabilities/Tangible Net Worth (%)	135.67	151.19.

-----ANALYST'S

COMMENTS-----

Overall condition continues strong as reflected by the Dec 31 1988 financial statement and the interim balance sheet dated Mar 31 1989 which is summarized above. As of Dec 31 1988 cash and receivables provided good support for current liabilities, the current ratio was good for this type of business and total liabilities were in good relationship with tangible net worth. Cash flow has been significant and has allowed the Company to pay its bills in a generally prompt manner.

In 1988, the Company's net cash provided by operating activities before working capital changes (cash generation) was \$1,050 million compared to \$1,271 million in 1987 and \$1,325 million in 1986. The decline in 1988 largely resulted from lower crude oil prices and lower crude oil and natural gas production volumes partially offset by higher refined product margins. The decline in 1987 was primarily due to lower refined product margins. Cash generation averaged almost five times net income during the 1986-88 period principally due to significant amounts of noncash charges.

BANKING
5/89

Account(s) averages medium 8 figures. Account open over 10 years. Account satisfactory. Loans granted to high 9 figures on an unsecured basis. Now owing medium 8 figures. Matures in 1 to 5 years. Borrowing account is as agreed. Overall relations are satisfactory.

HISTORY
3/07/89

ROBERT MC CLEMENTS JR, CHB PRES

ROBERT H CAMPBELL, EX V PRES+

& CEO+

JOHN P NEAFSEY, EX V PRES+

BILL N RUTHERFORD, SR V PRES

DONALD P WALSH, SR V PRES &

HUMAN RESOURCES & ADMIN

GENERAL COUNSEL

DONALD J AINSWORTH, SEC

DIRECTOR(S): The officers identified by (+) and Theodore A Burtis, William S Cashel Jr, Robert E Cawthorn, Robert G Dunlop, Mary J Evans, John M Henske, Thomas W Langfitt, Walter J Neppi, R Anderson Pew, William F Pounds, and Ralph S Saul.

Incorporated Pennsylvania Aug 4 1971. Authorized capital consists of 200,000,000 shares common stock, \$1 par value.

OUTSTANDING CAPITAL STOCK: As of Dec 31 1988 there were 128,775,882 shares common issued less 22,349,162 shares common held in the treasury.

BACKGROUND/OWNERSHIP: Business started 1901 as a New Jersey corporation with Pennsylvania corporation succeeding in 1971. This is a publicly held corporation whose shares are traded on the New York Stock Exchange under the symbol "SUN". As of Jan 29 1989 there were approximately 69,000 stockholders of record. As of Jan 3 1989 the officers and directors, as a group, beneficially owned 1.2% of the common stock. As of Dec 31 1988 The Glenmede Trust Company, Trustee of the Pew Memorial Trust, Philadelphia, PA owed 15.2% and the Glenmede Trust Company, fiduciary and co-fiduciary for a number of other trusts owned 10.9%.

RECENT EVENTS: On Nov 1 1988, the Company distributed on a pro rata basis to holders of its issued and outstanding common stock substantially all of the issued and outstanding shares of common stock of Sun Exploration and Production Company, a subsidiary. In addition, on Nov 1 1988 the Company acquired Atlantic Petroleum

(CONTINUED)

HISTORY

(Cont'd) corporation and its subsidiaries for \$594 million in cash. Operates as a subsidiary.
MC CLEMENTS JR born 1928. Drexel Univ 1952 BS Civil Eng. 1952-1954 Foster Wheeler Corp, project engr, 1955-1956 US Army, 1957-1963 Catalytic Construction, project engr, 1964-present Sun Company Inc.

CAMPBELL born 1937. 1959 Princeton Univ BS, 1961 Carnegie Mellon Univ MA; 1978 Massachusetts Inst of Tech, MA; 1960-present Sun Co Inc.

NEAFSEY born 1939. 1962 Cornell Univ BSME, 1963 MBA fin; 1964-1968 Sunray DX Oil Co, mgr-corp devel, 1968 Standard Oil Co of NJ, var planning and fin positions, 1968-present Sun Company Inc.

RUTHERFORD born 1932. 1955 University of Arizona, BS; 1955-1957 Army 1st Lt; 1957-present Sun Co Inc.

WALSH born 1930. 1952 Georgetown University BS, 1957 LLB. 1952-1954 US Army. 1957-1980 Shell Oil Company, 1957 attorney, 1970 general attorney-asst gen counsel. 1980-present Sun Company, Inc.

AINSWORTH born 1934. 1957 Widener University BS. 1957-1958 US Army. 1958 Maple Shade Jr High School, teacher. 1959-1960 Sun Valley Jr High, teacher. 1960-present Sun Chemical Company, Inc.

There are five other officers as follows; Robert M Aiken Jr, comptroller, Richard W Ince, v pres coal, Malcomb Ruddock Jr, treasurer, Ross S Tippin Jr, general auditor, and Thomas L Mylie, v pres government relations.

BURTIS. Is retired Chairman of the Board.

CASHEL. Is Campbell Soup Company retired Chairman of the Board.

CANTHORN. Is Rorer Group Inc, Chairman, president & Chief Executive Officer.

DUNLOP. Is retired Chairman of the Board.

EVANS. Is former vice Chairman of the Board of National Railroad Passenger Corporation.

HENSKE. Is olin Corporation retired Chairman of the Board.

LANGFITT. Is The Glenmede Trust Company President & Chief Executive Officer.

NEPPL. Is J C Penney Company Inc retired Vice Chairman & president.

PELL. Is Helios Capital Corporation president.

POUNDS. Is Massachusetts Institute of Technology Professor, Alfred P Sloan School of Management and senior advisor to the Rockefeller Family and Associates.

SAUL. Is CIGNA Corporation retired Chairman of the Board.

OPERATION

8/07/89

On a consolidated basis the Company is active in petroleum refining (including gasoline, middle distillates, residual fuel, petrochemicals, lubricants, propane and other) and marketing (84%), in oil and gas exploration and production (9%), in underground mining of coal (subbituminous steam coal, semi bituminous and bituminous metallurgical coal) (4%) and in real estate development and equipment leasing and secured lending activities (3%).

Marketing operations include the sale of gasoling, distillates, jet fuel and residual fuel oil to wholesale, commercial, industrial and retail customers and to the US government for defense fuel supply. The Company wholesales gasoline and other petroleum products to independent dealers and jobbers and retails through service stations. The Company also owns and operates petroleum transportation and terminalling assets in support of its refining and marketing activities. As of Dec 31 1988, the Company owned and operated seven ocean-going tankers for foreign transportation and a fleet of coastal distribution tankers, tugs and barges. In addition, the Company owns and operates crude oil gathering pipelines and crude oil and petroleum product pipelines.

TERMS: Net 30 (90%) with remainder contract and cash. Has 10,000+ accounts. Sells petroleum products to wide variety of industrial and wholesale customers. Gasoline and other refined products to service stations. Territory: United States and Canada. Nonseasonal.

EMPLOYEES: 21,300 including officers. 300 employed here.

FACILITIES: Owns 231,425 sq. ft. in two story brick steel office building in good condition. Premises neat.

LOCATION: Suburban section on main road.

BRANCHES: Administration offices maintained at 2000 Market Street, Philadelphia, PA. Subsidiaries maintain branches throughout the country and world.

SUBSIDIARIES: Subject has numerous active subsidiaries, their activities of which are included in the Operation section of this report.

Intercompany relations consist of Sun Company, Inc guaranteeing certain debt and rental payments of certain subsidiaries.

There are also loans and advances made by the parent to certain subsidiaries and occasional loans made by certain subsidiaries to Sun Company, Inc with periodic

(CONTINUED)

OPERATN

Cont'd) clean-ups made.

Two of the more important domestic subsidiaries are as follows:

(1) Atlantic Petroleum Corporation, King Of Prussia, Pa. (100% owned). A Delaware Corporation chartered July 17 1985. Purchased by Sun Company, Inc in Nov 1988. Active in petroleum refining and marketing.

(2) Sun Refining and Marketing Company (Inc), (100% owned), Philadelphia, PA. It was incorporated 1971. Active in petroleum refining and marketing.

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